

Aston Martin Holdings (UK) Limited

Interim financial report

for the period ended 31 March 2014

**Interim financial report for the period ended
31 March 2014**

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**Interim financial report
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Business review and outlook

The Aston Martin brand is one of the most widely recognised sports car brands with a one hundred and one year history of technical automotive performance and a high standard of styling and design. Our portfolio of cars is one of the most diversified offerings in the high luxury sport ("HLS") segment. We currently have seven models in our product range: V8 Vantage (including the V8 Vantage S), V12 Vantage S, DB9, Vanquish, Rapide S, Zagato and Cygnet. Some of these models are available in different model types, including engine sizes, as well as in coupe and convertible models. With the exception of the Cygnet, all of our models are sports cars. For the twelve months ended 31 March 2014, we sold 3,998 cars.

Our primary production facility is located in Gaydon, UK. The Gaydon facility was opened in 2003, developed for the specific needs of Aston Martin and is one of Europe's most modern automotive manufacturing facilities and one of the most advanced manufacturing facilities in the HLS segment. Other than the engines and certain other components, we manufacture all of our models in Gaydon.

Our total sales (excluding Cygnet) in the first quarter of 2014 were 813 vehicles (699 in the first quarter of 2013).

Average prices

	For the three months ended 31 March 2014	For the year ended 31 December 2013	For the three months ended 31 March 2013
Average car sale price in £ thousands	111 ⁽¹⁾	126	120 ⁽¹⁾
	(1) Excludes Cygnet, One-77 & Zagato models		

Sales volumes

	For the three months ended 31 March 2014	For the year ended 31 December 2013	For the three months ended 31 March 2013
V8	211	996	187
V12	602	2,808	512
Cygnet	10	100	30
Total	823	3,904	729

Recent developments and factors affecting comparability

In March 2014 Aston Martin announced that additional funding had been secured through the issue of \$165 million Senior Subordinated Pay-in-Kind (PIK) notes due July 2018.

On 30 April 2014, Aston Martin Lagonda Limited ("AML") completed the purchase of 10% share capital in AMWS Limited, resulting in AML owning 50% of AMWS's issued share capital. AMWS is the parent company of Aston Martin Works Limited, which owns the Works Service

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Financial review - income statement

Revenue

Revenue was £100.7m for the three months ended 31 March 2014, as compared to £95.2m for the three months ended 31 March 2013, an increase of £5.5m or 5.8%. Vehicle sales increased by 94 units or 12.9% to 823 units in the 2014 quarter as compared to 729 in the first quarter of 2013. The increase in revenue arose from the increased volumes with V12 sales rising to 73.2% of volumes as compared to 70.2% in 2013, V8 sales remaining almost constant at 25.6% in 2014 as compared to 25.7% in 2013, whilst Cygnet sales fell to 1.2% as compared to 4.1% in 2013. The revenue increased by less than the volume as a result of lower sales in China, resulting from the throttle cable issue, and the absence of any Zagato sales. The average wholesale price per vehicle (excluding Cygnet, One-77 and Zagato) also decreased to £111,000 in Q1 2014 from £120,000 in Q1 2013.

Cost of sales

Cost of sales were £63.2m for the three months ended 31 March 2014, as compared to £62.8m for the three months ended 31 March 2013, an increase of £0.4m or 0.6%.

Material costs for the three months ended 31 March 2014 increased to £47.3m or 47.0% of revenue as compared to £43.8m or 46.0% of revenue for the same period in 2013. This increase as a percentage of revenue in the quarter is mainly due to volume movements described above including the absence of Zagato sales where the material cost is comparatively lower.

Direct labour for the three months ended 31 March 2014 was £4.4m or 4.4% of revenue compared to £5.1m or 5.4% of revenue in the three months to 31 March 2013. This reduction continues the trend of the second half of 2013 with improved efficiency in manufacturing as the 2013 quarter was still affected by additional labour taken on for the launch of Vanquish and Rapide S models. The percentage improvement has also benefitted from the increased model mix of V12 product.

Other cost of sales for the three months ended 31 March 2014 were £11.5m or 11.4% of revenue, compared to £13.9m or 14.6% of revenue for the three months ended 31 March 2013. The reduction in both absolute and percentage terms has arisen from reduced Chinese volumes as a result of the throttle cable issue. China has a disproportionate effect on other cost of sales due to the high level of duty costs.

Gross profit

The gross profit was £37.6m or 37.3% of revenue for the three months ended 31 March 2014, as compared to £32.4m or 34.0% for the three months ended 31 March 2013. The increase in both absolute and percentage terms arises from the higher volume of sales, improved model mix from V12 sales as described above as well as the reduced direct labour costs arising from the improved efficiency.

Selling and distribution expenses

Selling and distribution expenses were £7.4m for the three months to 31 March 2014, as compared to £8.0m for the three months to 31 March 2013, a decrease of £0.6m. Additional costs arose in 2013 from the launch of the new Rapide S model and events associated with the centenary of the group which were not repeated in 2014.

Administrative and other expenses

Administrative and other expenses were £35.5m for the three months to 31 March 2014, as compared to £28.9m for the three months to 31 March 2013, an increase of £6.6m. Depreciation and amortisation accounted for £3.6m of this increase following the launch of Vanquish Volante and V12 Vantage S and hence the commencement of a charge for both the tooling and research and development costs. The primary reason for the rest of the increase related to an accounting change in the timing of the recognition of holiday pay which will be neutral in the full year.

Operating loss

The operating loss was £(5.3)m in the three months ended 31 March 2014, as compared to a loss of £(4.5)m in the three months to 31 March 2013, an increased loss of £(0.8)m. Gross profit improved by £5.2m mainly due to the higher volumes and improved model mix in the first quarter of 2014 as compared to 2013, offset by higher fixed costs of £(6.0)m arising from increased depreciation and amortisation costs associated with the launch Vanquish Volante and V12 Vantage S as well as a timing difference relating to holiday pay which will be neutral in the full year.

Finance income / (expense)

The net finance expense was £(7.1)m in the three months to 31 March 2014, as compared to £(17.4)m in the corresponding quarter of 2013, a decrease of £10.3m. This decrease arose primarily from a net gain on fair value adjustments on foreign exchange hedges of £0.7m in 2014 as compared to a net loss of £(9.1)m in 2013. This was principally reflective of a slight weakening of the US Dollar in the first quarter of 2014, whereas the first quarter of 2013 had seen a significant strengthening of the same currency. The 2014 quarter also saw a foreign exchange gain of £0.7m on the \$165m Senior Subordinated PIK notes. The overall effect of other movements in net interest expense only amounted to an increase in net expense of £0.2m from £(8.3)m in 2013 to £(8.5)m in 2014 mainly due to the interest on the Senior Subordinated PIK notes.

Income tax credit

The income tax credit was £1.8m in the three months to 31 March 2014, 14.2% of the loss before tax, as compared to a £4.9m in the three months to 31 March 2013 or 22.5% of the loss before tax. The percentage is lower than the applicable UK corporation rate for the year of 21.5% as a result of credit not being taken for losses, the utilisation of which is not certain. Please refer to note 5 for more information on income tax.

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Financial review - cash flow statement

The three months to 31 March 2014 saw a net cash inflow of £54.6m, compared to an outflow of £(27.3)m in the three months to 31 March 2013. The cash balance at 31 March 2014 was £129.3 as compared to £23.1m as at 31 March 2013, an increase of £106.2m.

Cash flow from operating activities

We utilised £(0.3)m of net cash in our operating activities in the three months to 31 March 2014 as compared to generating £1.1m in the equivalent three month period to 31 March 2013. The reduced cash generation in the quarter was mainly due to an increase in working capital of £(15.0)m in 2014, arising from a higher inventory and receivable levels being partially offset by an increase in payables. The higher inventory levels largely arose from inventory being produced for the Chinese market pending resolution of the throttle pedal issue, whilst the higher receivables were a due to the timing of deliveries to our US dealers which were settled in early April 2014. The equivalent increase in working capital in the 2013 quarter was £(9.5)m.

Cash flow from investing activities

Net cash used in investing activities increased to £27.1m in the three months to 31 March 2014, as compared to £13.1m in the three months to 31 March 2013. Expenditure on property, plant and equipment increased to £3.6m from £1.2m, whilst expenditure on intangible assets increased to £23.8m in 2014 as compared to £12.4m in 2013 as the group has implemented its biggest investment strategy in its history for a new range of vehicles.

Cash flow from financing activities

Net cash generated from financing activities was £82.8m in the three months to 31 March 2014, as compared to a utilisation £(16.6)m in the three months to 31 March 2013. Net new borrowings of £99.9m were taken out in the quarter principally through \$165m of Senior Subordinated PIK Notes due for repayment in July 2018. Interest paid increased slightly by £(0.9)m to £(16.2)m in 2014 from £(15.3)m in 2013. The group also incurred transaction fees of £(0.8)m in 2014 in connection with the raising of the new financing.

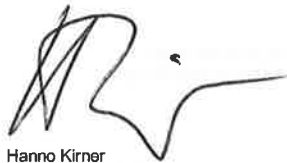
Aston Martin Holdings (UK) Limited

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Responsibility statement of the directors in respect of the interim financial report

The undersigned certifies on behalf of Aston Martin Holdings (UK) Limited (the "Company") that to the best of our knowledge the condensed set of consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and fairly represent the financial condition and operations of the Aston Martin Holdings (UK) Limited group as at 31 March 2014.

Pursuant to clause 21.3 (b) of the Company's Revolving Credit Facility Agreement with Deutsche Bank AG, London Branch acting as Agent



Hanno Kirner
Chief Financial Officer

27 May 2014

**Condensed consolidated statement of comprehensive income
for the period ended 31 March 2014**

	Notes	3 months ended 31 March 2014	3 months ended 31 March 2013 as restated
		£'000	£'000
Revenue	2	100,731	95,156
Cost of sales		(63,162)	(62,798)
Gross profit		<u>37,569</u>	<u>32,358</u>
Selling and distribution expenses		(7,435)	(7,997)
Administrative and other expenses		(35,508)	(28,863)
Share of result in associates		62	4
Operating loss		<u>(5,312)</u>	<u>(4,498)</u>
Finance income	3	2,003	469
Finance expense	4	(9,090)	(17,859)
Net financing expense		<u>(7,087)</u>	<u>(17,390)</u>
Loss before tax		<u>(12,399)</u>	<u>(21,888)</u>
Income tax credit	5	1,763	4,920
Loss for the period		<u>(10,636)</u>	<u>(16,968)</u>
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurement of defined benefit asset / (liability)		1,515	(3,082)
Related income tax		(303)	709
		<u>1,212</u>	<u>(2,373)</u>
Items that are or may be reclassified to profit or loss			
Foreign exchange translation differences		(401)	236
Other comprehensive income for the period, net of income tax		811	(2,137)
Total comprehensive income for the period		<u>(9,825)</u>	<u>(19,105)</u>

Notes on pages 10 to 12 form an integral part of the financial statements.

Condensed consolidated statement of changes in equity

Group	Share capital £'000	Share premium £'000	Capital reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2013	2	191,512	92,964	344	(21,689)	263,133
Total comprehensive income for the period						
Loss	-	-	-	-	(16,968)	(16,968)
Other comprehensive income						
Foreign currency translation differences	-	-	-	236	-	236
Remeasurement of defined benefit asset / (liability)	-	-	-	-	(3,082)	(3,082)
Income tax on other comprehensive income	-	-	-	-	709	709
Total other comprehensive income / (expense)	-	-	-	236	(2,373)	(2,137)
Total comprehensive income / (expense) for the period	-	-	-	236	(19,341)	(19,105)
At 31 March 2013	2	191,512	92,964	580	(41,030)	244,028

Group	Share capital £'000	Share premium £'000	Capital reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2013	2	191,512	92,964	344	(21,689)	263,133
Total comprehensive income for the period						
Loss	-	-	-	-	(16,655)	(16,655)
Other comprehensive income						
Foreign currency translation differences	-	-	-	(180)	-	(180)
Remeasurement of defined benefit asset / (liability)	-	-	-	-	3,831	3,831
Income tax on other comprehensive income	-	-	-	-	(891)	(891)
Total other comprehensive (expense) / income	-	-	-	(180)	2,940	2,760
Total comprehensive expense for the period	-	-	-	(180)	(13,715)	(13,895)
Transactions with owners, recorded directly in equity						
Capital increase	1	166,784	-	-	-	166,785
Total transactions with owners	1	166,784	-	-	-	166,785
At 31 December 2013	3	358,296	92,964	164	(35,404)	416,023

On 30 April 2013 the company issued 1,142,696 shares with a par value of £0.001p per share for a consideration of £150,000,000 to Prestige Motor Holdings S.A.

On 18 December 2013 the company issued 127,871 shares with a par value of £0.001p per share for a consideration of £16,785,000 to Daimler AG.

Condensed consolidated statement of changes in equity (continued)

<i>Group</i>	Share capital £'000	Share premium £'000	Capital reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2014	3	358,296	92,964	164	(35,404)	416,023
Total comprehensive income for the period						
Loss	-	-	-	-	(10,636)	(10,636)
Other comprehensive income						
Foreign currency translation differences	-	-	-	(401)	-	(401)
Remeasurement of defined benefit asset / (liability)	-	-	-	-	1,515	1,515
Income tax on other comprehensive income	-	-	-	-	(303)	(303)
Total other comprehensive income / (expense)	-	-	-	(401)	1,212	811
Total comprehensive expense for the period	-	-	-	(401)	(9,424)	(9,825)
At 31 March 2014	3	358,296	92,964	(237)	(44,828)	406,198

Condensed consolidated statement of financial position
at 31 March 2014

		As at 31.03.14 £'000	As at 31.03.13 £'000	As at 31.12.13 £'000
Non-current assets				
Intangible assets		582,515	525,433	570,942
Property, plant and equipment		176,529	189,326	180,809
Investments in associates		2,024	1,699	1,962
Other financial assets		1,339	-	1,542
Deferred tax asset		23,016	18,280	23,016
Employee benefits	10	3,532	-	1,886
		<u>788,955</u>	<u>734,738</u>	<u>780,157</u>
Current assets				
Inventories		86,178	82,630	69,965
Trade and other receivables		45,246	46,674	40,350
Other financial assets		3,762	-	3,108
Cash and cash equivalents	7	129,289	23,101	74,653
		<u>264,475</u>	<u>152,405</u>	<u>188,076</u>
		<u>1,053,430</u>	<u>887,143</u>	<u>968,233</u>
Total assets				
Current liabilities				
Borrowings	7	13,791	40,767	13,854
Trade and other payables		129,169	182,332	130,566
Income tax payable		585	175	936
Other financial liabilities		229	6,654	253
Provisions	9	7,713	6,292	7,678
		<u>151,487</u>	<u>236,220</u>	<u>153,287</u>
Non-current liabilities				
Borrowings	7	395,747	295,536	296,765
Other financial liabilities		65	4,321	45
Employee benefits	10	-	6,199	-
Provisions	9	8,577	8,593	9,297
Deferred tax liabilities		91,356	92,246	92,816
		<u>495,745</u>	<u>406,895</u>	<u>398,923</u>
		<u>647,232</u>	<u>643,115</u>	<u>552,210</u>
Total liabilities				
Net assets				
		<u>406,198</u>	<u>244,028</u>	<u>416,023</u>
Capital and reserves				
Share capital		3	2	3
Share premium		358,296	191,512	358,296
Capital reserves		92,964	92,964	92,964
Translation reserve		(237)	580	164
Retained earnings		(44,828)	(41,030)	(35,404)
		<u>406,198</u>	<u>244,028</u>	<u>416,023</u>
Total shareholders' equity				

Condensed consolidated statement of cash flows
for the period ended 31 March 2014

	Notes	3 months ended 31 March 2014 £'000	3 months ended 31 March 2013 £'000	Year ended 31 December 2013 £'000
Operating activities				
Loss for the period		(10,636)	(16,968)	(16,655)
<i>Adjustments to reconcile loss for the period to net cash inflow from operating activities</i>				
Tax on continuing operations	5	(1,763)	(4,920)	(8,727)
Share of result in associates		(62)	(4)	(362)
Net finance costs		8,563	17,032	25,586
Other non cash movements		(401)	236	(273)
Losses on sale of property, plant and equipment		-	-	69
Depreciation and impairment of property, plant and equipment		7,913	7,112	27,547
Amortisation and impairment of intangible assets		12,265	9,513	43,796
Difference between pension contributions paid and amounts recognised in income statement		(131)	134	(1,038)
(Increase) / decrease in inventories		(16,213)	(9,241)	3,424
Increase in trade and other receivables		(5,150)	(11,873)	(6,799)
Increase / (decrease) in trade and other payables		6,379	11,631	(45,026)
Movement in provisions		(662)	(1,567)	832
Cash (used in) / generated from operations		102	1,085	22,374
Income taxes paid		(352)	(3)	(1,106)
Net cash (outflow) / inflow from operating activities		(250)	1,082	21,268
Cash flows from investing activities				
Interest received	3	414	469	1,950
Proceeds on the disposal of property, plant and equipment		-	-	14
Payments to acquire property, plant and equipment		(3,633)	(1,215)	(13,123)
Payments to acquire intangible assets		(23,838)	(12,365)	(92,157)
Net cash used in investing activities		(27,057)	(13,111)	(103,316)
Cash flows from financing activities				
Interest paid		(16,227)	(15,310)	(32,258)
Proceeds from equity share issue		-	-	166,785
Movement in borrowings		99,902	(1,319)	(27,366)
Transaction fees on new borrowings		(835)	-	-
Net cash inflow / (outflow) from financing activities		82,840	(16,629)	107,161
Net increase / (decrease) in cash and cash equivalents		55,533	(28,658)	25,113
Cash and cash equivalents at the beginning of the period		74,653	50,413	50,413
Effect of exchange rates on cash and cash equivalents		(897)	1,346	(873)
Cash and cash equivalents at the end of the period	7	129,289	23,101	74,653

**Notes to the financial statements for the period ended
31 March 2014**

1 Basis of preparation and principal accounting policies

Aston Martin Holdings (UK) Limited (the "company") is a company incorporated and domiciled in the UK. The condensed consolidated interim financial statements of the company as at the end of the period ended 31 March 2014 comprise the company and its subsidiaries (together referred to as the 'group').

The group meets its day-to-day working capital requirements and medium term funding requirements through a mixture of Senior Secured Notes, Senior Subordinated PIK notes, a revolving credit facility, facilities to finance inventory and a wholesale vehicle financing facility. The Senior Secured Notes, which expire in July 2018, amount to £304,000,000 and include certain covenant tests. The Senior Subordinated PIK notes amount to US Dollars 165,000,000 and are also due for repayment in July 2018. The £30,000,000 revolving credit facility is available until 2016. At 31 March 2014 the revolving credit facility was undrawn (31 March 2013 : fully drawn).

The directors have prepared trading and cash flow forecasts for the period to 2020. These forecasts showed that the group has sufficient financial resources to meet its obligations as they fall due and meet all covenant tests.

The forecasts make assumptions in respect of future trading conditions and in particular, the launch of future models. The nature of the group's business is such that there can be variation in the timing of cash flows around the development and launch of new models and the availability of funds provided through the vehicle wholesale finance facility as the availability of credit insurance and sales volumes vary, in total and seasonally. The forecasts take into account the aforementioned factors to an extent which the directors consider to be reasonably prudent, based on the information that is available to them at the time of approval of these financial statements.

Accordingly, after considering the forecasts, appropriate sensitivities, current trading and available facilities, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and therefore the directors continue to adopt the going concern basis in preparing the financial statements.

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as endorsed by the European Union. They do not include all the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the group as at and for the year ended 31 December 2013.

Significant accounting policies

The condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the group's published consolidated financial statements for the year ended 31 December 2013.

Estimates and judgements

The preparation of a condensed set of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In the process of applying the group's accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

- the point of capitalisation and amortisation of development costs
- the useful lives of tangible and intangible assets

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next year are as follows:

- the measurement and impairment of indefinite life intangible assets (including goodwill);
- the measurement of warranty liabilities; and
- the measurement of defined benefit pension assets and obligations.

The measurement of intangible assets other than goodwill on a business combination involves estimation of future cash flows and the selection of a suitable discount rate. The group determines whether indefinite life intangible assets are impaired on an annual basis and this requires an estimation of the value in use of the cash generating units to which the intangible assets are allocated.

The measurement of warranty liabilities has been estimated on past experience of the actual level of warranty claims received. Management establishes these estimates based on historical information on the nature, frequency and average cost of the warranty claims.

Measurement of defined benefit pension obligations requires estimation of future changes in salaries and inflation, as well as mortality rates, the expected return on assets and suitable discount rates.

Notes to the financial statements for the period ended
31 March 2014 (continued)

2 Revenue

	3 months ended 31.03.14 £'000	3 months ended 31.03.13 £'000
Sale of vehicles	90,398	86,839
Sale of parts	10,161	8,167
Servicing of vehicles	172	150
Total revenue	<u>100,731</u>	<u>95,156</u>

3 Finance income

	3 months ended 31.03.14 £'000	3 months ended 31.03.13 £'000 as restated
Bank deposit and other interest income	414	469
Net interest income on the net defined benefit asset / (liability)	34	-
Net gain on financial instruments recognised at fair value through profit or loss	901	-
Net foreign exchange gain	654	-
Total finance income	<u>2,003</u>	<u>469</u>

4 Finance expense

	3 months ended 31.03.14 £'000	3 months ended 31.03.13 £'000 as restated
Bank loans and overdrafts	8,931	8,735
Net interest expense on the net defined benefit asset / (liability)	-	46
Net loss on financial instruments recognised at fair value through profit or loss	159	9,078
Total finance expense	<u>9,090</u>	<u>17,859</u>

5 Income tax credit

The effective tax rate for the period ended 31 March 2014 has been estimated at 14.2% (year ended 31 December 2013 : 34.4%). This compares to a UK statutory rate of tax 23% applicable to the group for the period to 31 March 2014.

A reduction in the UK corporation rate from 23% to 21% (effective from 1 April 2014) and a further reduction to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Group's future current tax charge accordingly.

The deferred tax liability at 31 March 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

In addition to the change in tax rates, permanently disallowable expenditure, restrictions on the use of tax losses and enhanced tax deductions arising on research and development expenditure give rise to further adjustments to the total tax arising in the periods.

6 Dividends

No dividends have been declared or paid in the three month period to 31 March 2014 or the three month period to 31 March 2013.

Notes to the financial statements for the period ended
31 March 2014 (continued)

7 Net borrowings

	As at 31.03.14 £'000	As at 31.03.13 £'000	As at 31.12.13 £'000
Cash and cash equivalents	129,289	23,101	74,653
Bank loans and overdrafts (a)	(13,791)	(40,767)	(13,854)
Senior Secured Notes (b)	(297,174)	(295,536)	(296,765)
Senior Subordinated PIK notes (c)	(98,573)	-	-
	<u>(280,249)</u>	<u>(313,202)</u>	<u>(235,966)</u>

(a) The group has facilities to fund the in transit inventory between the UK company, Aston Martin Lagonda Limited, and its US and Chinese subsidiaries. At 31 March 2014 the utilisation of these facilities was £13,791,000 (31 March 2013 : £10,767,000). The revolving credit facility was undrawn at 31 March 2014 (31 March 2013 : fully drawn at £30,000,000). The group also has a wholesale vehicle financing facility of £100,000,000 with Standard Chartered Bank plc, supported by a credit insurance policy with Atradius, which is off balance sheet.

(b) In June 2011 the group issued £304,000,000 of 9.25% Senior Secured Notes due for repayment in July 2018.

(c) In March 2014, the group issued 10.25% Senior Subordinated PIK notes with a value of 165m US Dollars. At the 31 March 2014 closing exchange rate the liability relating to the Senior Subordinated PIK notes, including accrued interest, was £98,573,000.

8 Foreign exchange rates

	Average rate 3 months ended 31.03.14	Average rate 3 months ended 31.03.13	Average rate year ended 31.12.13
US dollar	1.6563	1.6255	1.5700
Chinese renminbi	10.0268	10.1274	9.6945
Euro	1.2020	1.2330	1.1947

9 Provisions

	As at 31.03.14 £'000	As at 31.03.13 £'000	As at 31.12.13 £'000
Warranty	<u>16,290</u>	<u>14,885</u>	<u>16,975</u>
Non-current	8,577	8,593	9,297
Current	7,713	6,292	7,678
	<u>16,290</u>	<u>14,885</u>	<u>16,975</u>

10 Pension scheme

The net asset for defined benefit obligations has increased from £1,886,000 at 31 December 2013 to £3,532,000 at 31 March 2014. The movement of £1,646,000 comprises contributions of £2,280,000 plus a net actuarial gain of £1,515,000 less a charge to the income statement of £(2,149,000). The net actuarial gain has arisen in part due to a change in the discount rate assumptions used in the valuation of the scheme's assets and liabilities compared to those used at 31 December 2013 and a decrease in the assumptions for inflation. The discount rate decreased to 4.50% at 31 March 2014 compared to 4.55% at 31 December 2013, whilst the inflation assumptions for CPI decreased from 2.20% to 2.15% and for RPI from 3.40% to 3.35%.

11 Related party transactions

There have been no new related party transactions that have taken place in the first three months of the current financial year that have materially affected the financial position or performance of the group during that period and there have been no changes in the related party transactions described in the last annual report that could do so.